

1 Ms. Selznick?

2 A. It was around -- it was at the time -- I
3 believe it was after time I told her -- that she
4 advised me that there would be -- that she was going
5 to submit a revised proposal and that now what she
6 would like me to finance was \$40,000. It was after
7 that because I think it was when the litigation
8 started or the FCC ligation if that qualifies as
9 litigation. It's when that arose that we talked about
10 this concept of terms. But we did not talk about the
11 terms in connection with my commitment to provide the
12 financing.

13 Q. The \$40,000?

14 A. The \$40,000 or the \$350,000 or \$360,000.

15 Q. Did she ask you at any time to put those
16 terms in writing?

17 A. No. Well, that's not quite true. I told you
18 that back in November, 1991, I asked her whether a
19 commitment letter was required, and she told me it was
20 not. Now, a commitment letter would have -- again, a
21 typical commitment letter will not have very many
22 terms in it. In fact, many -- I know bank lawyers who
23 I talked to, said they don't like to put too many
24 terms in them because they don't want it to rise to
25 the level of an agreement, but it will generally

1 that computer file and printed it out. I think she
2 had to produce them.

3 Q. The November 30, 1991, financial statement,
4 Exhibit 2 that you provided, when was that prepared?

5 A. Again, what do you mean by "prepared"? I had
6 a computer file that, you know, that's labeled -- that
7 would have been labeled 91-11-30 financial statement
8 and I used that convention for numbering documents so
9 they sort in chronological order; so this was a file
10 that was resident on my computer, which I sent to her
11 over the modem at some point in August, 1993, whenever
12 she said finally that she needed a financial
13 statement.

14 Q. I understand your point. My question still
15 is: When was this statement prepared?

16 A. At this time I was preparing statements like
17 this on a monthly basis.

18 Q. This particular statement?

19 A. Yes. So this would have been prepared
20 probably -- well, this would have reflected -- this
21 probably would have been -- this particular version
22 would have been prepared probably in early December,
23 1991, but, you see, when you open my computer up, for
24 example, like these numbers, there are some numbers in
25 here like cash. This is a linked file; so when you

1 the amount of bank loans, and the amount of mortgage
2 -- no, excuse me, the mortgage does not. The
3 mortgage debt I took off my bank form. This is 975,
4 and here I see as of 1993 it's 950, and I can see with
5 the zeros in there that that's not tied in. I have to
6 work on that. That should be tied into something. It
7 should be an exact number.

8 Q. Was there a formal appraisal made of your
9 home?

10 A. Yes, in 1992.

11 Q. When was your home purchased?

12 A. January, 1991.

13 Q. At what price?

14 A. 1.3 million dollars.

15 Q. What is your approximate monthly mortgage on
16 your home?

17 A. \$6,000.

18 Q. Do you have a fixed or a variable interest
19 rate?

20 A. Variable.

21 Q. For how many years?

22 A. Thirty.

23 Q. Have you refinanced your home recently?

24 A. I've been following the mortgage market every
25 day, and I think it's finally turned, and I'm going to

1 do so very shortly.

2 Q. Have you made any significant improvements on
3 your home since you purchased it?

4 A. I've put maybe \$50,000 into it.

5 Q. On your financial statement we're speaking
6 of, Exhibit 2, November 30, 1991, under the line
7 assets, subline cash, where was that cash held?

8 A. That cash would have been in one of four bank
9 accounts. I had two bank accounts at Chemical Bank
10 where the vast bulk of the money was -- that's
11 Chemical Bank in New York -- and then I have two
12 accounts out here, which I don't use very much, at
13 Wells Fargo. But I do most of my banking at Chemical
14 Bank of New York.

15 Q. Let's move over to Exhibit No. 1, which is
16 your financial statement of August 27, 1993. The
17 appraised value of your home is 1.6 million. Did you
18 have a new appraisal done of your home?

19 A. No. I see that. The appraisal -- no, there
20 was one appraisal, and it was done in 1992, and I see
21 that on the 1991 statement I put down "Appraised
22 Value." I don't know. Then again, based on the
23 appraisal, I assume that it was at 1.6, the appraisal
24 as of November, 1991, but the appraisal was done in
25 September, 1992.

1 Q. So do you know the appraised value of your
2 home on November 30, 1991?

3 A. No. As I told you, we had purchased it at
4 \$1.3 million in January of 1991 and put \$50,000 in,
5 but I did not have an appraisal done until 1992.

6 Q. Have you had an appraisal done on your home
7 since August 27, 1993?

8 A. No, but I am continuing to monitor, and I
9 have since I moved into the neighborhood because I may
10 want to move. I have continued to monitor
11 transactions in our neighborhood, and it's a very good
12 neighborhood, and it's one of the few neighborhoods --
13 in fact, there was an article in the newspaper. It's
14 one of the new neighborhoods in Orange County where
15 the prices have held and have actually increased.
16 It's a very small neighborhood. Kareem Abdul-Jabbar
17 is one of my neighbors, and there are a lot of sports
18 figures up there. There are only about 600 homes.

19 Q. I won't hold that against you.

20 A. I was just going to say, knowing real
21 estate -- and, you know, I've done pretty well in real
22 estate over the years -- this location is very
23 desirable.

24 Q. Let's go back to Exhibit 2, November 30,
25 1991, and speak about what you mean by partnership

1 payment of profits.

2 Q. What are the partnership profits presently,
3 approximately, due you?

4 A. They're still \$124,000. There have not --
5 there may have been a \$5,000 payment in September.
6 There was a small payment in September, and the firm
7 has just merged with another law firm.

8 Q. Congratulations.

9 A. Well, congratulations are in order because
10 within a week I expect to receive, I'm advised, more
11 than half the money that's actually owed to me.

12 Q. On your financial statements you have a line
13 under "Assets" entitled "Salary Receivable." What do
14 you mean by that?

15 A. That's the amount I told you earlier that as
16 an employee of RunTime Technologies, as the president,
17 I accrue a salary of based on an annualized \$100,000
18 year; so about 8,333 a month. So that's accrued since
19 I'm not taking that out.

20 Q. And is that available cash?

21 A. No, not right now. What we are doing depends
22 on the outcome of a private placement. It may be, but
23 until that is completed, the answer is no.

24 Q. When was RunTime Technologies, L.P. set up?

25 A. It was set up on May 21, 1991.

1 L.P. do you hold?

2 A. Directly or indirectly I control a little
3 more than 60 percent.

4 Q. In its first year of operation, did it make
5 any money?

6 A. It never made a penny.

7 Q. Are there any customers?

8 A. Very good question. Very insightful. Yes.

9 Q. Who are they if so?

10 A. Well, I was going to say -- off the record.

11 (Discussion off the record.)

12 BY MR. DANIELS:

13 Q. We are back on the record.

14 A. I just advised counsel, while we were off the
15 record, that the items on my financial statement
16 relating to RunTime Technologies, which on the
17 November 30, 1991, statement shows an investment at
18 cost of \$420,000 and on the August 27, 1993 shows an
19 investment cost of 780,000, are far from liquid
20 assets; that they are not in any way represented or
21 taken into account or consideration in terms of my
22 ability or promise to provide finances to Loren
23 Selznick.

24 Q. With regard to -- I presume that that also
25 means partnership inventory interests also?

1 A. No. That partnership inventory interest is
2 the law partnership. That's good money. In fact,
3 that money will probably be -- at least half that will
4 probably be paid to me within a week or so, I
5 understand. Put it this way: I am told it will be
6 paid to me within a week or so.

7 BY MS. ANDRES:

8 Q. I presume you're talking about your library
9 share?

10 A. No. Inventory interest is -- and you being
11 lawyers, I don't know how you account for your
12 business, but that basically represents the value that
13 a partner has in unbilled time; so typically in my
14 firm, there was always between 10 and 15 million
15 dollars of unbilled time. Lawyers would not submit a
16 bill until, you know, at least the end of the month,
17 and some billing was done on a quarterly basis; so you
18 had the time yet to be billed.

19 BY MR. DANIELS:

20 Q. Is that a liquid interest?

21 A. Yes, it is. It's part of the partnership
22 agreement is, when you retire from the firm or you
23 leave the firm after you've been there for at least
24 ten years as a partner, you're entitled, based on a
25 formula, to get certain payments relating to what they

1 call their inventory interests; so that's a sum
2 certain.

3 Q. In that partnership agreement, does it
4 specify over what period of time?

5 A. Yes.

6 Q. And how that will be disbursed?

7 A. 60 equal installment payments.

8 Q. Over?

9 A. Monthly.

10 Q. Over five years?

11 A. Five years.

12 Q. And when did you leave the law firm?

13 A. For purposes of settling accounts, I believe
14 it was June 30, 1991; so if you take the difference
15 between the amount shown on my November statement and
16 my August statement, that will reflect -- I think the
17 monthly payments are something like \$2,770 a month.

18 Q. Was it a sum certain when you left?

19 A. The firm?

20 Q. Yes.

21 A. Yes.

22 Q. What was that amount?

23 A. I don't recall what the amount was. Here, we
24 can figure it out roughly. The inventory interest as
25 of November 30, 1991, is \$150,000; so you had five

1 your financial status since the August 27, 1993
2 financial statement?

3 A. No.

4 Q. Do you have a more recent financial
5 statement?

6 A. As I say, I can produce a financial statement
7 that, if you would like, would be right up to this
8 minute. As I say -- I don't mean to be facetious -- I
9 keep this on my computer, and obviously my bank
10 accounts have different amounts of cash in them, and I
11 know I put more money in the business. I got a small
12 amount from the partnership profits, but I paid down
13 some more mortgage debt. I paid down a note. So it's
14 materially the same, but the individual numbers
15 change. They change all the time.

16 Q. Just a few more questions. Did you give
17 Ms. Selznick at any time any information or writing of
18 your net income after federal income tax?

19 A. Did you say did I give her any information or
20 any writing? I didn't give her any writing.

21 Q. Information about your net income after
22 federal income tax.

23 A. Yes. We discussed that. It must have been
24 around July, July of 1993, when the question arose
25 whether I was financially capable or whatever the term

1 the SEC uses. And, in fact, I think maybe it came up
2 when I was reviewing the FCC instructions, but
3 someplace I said, "You know, you never talked to me
4 about an income statement."

5 And she said that was right. And we joked
6 something to the effect that it was unnecessary
7 because she knew Breed, Abbott partners are paid
8 outrageously anyway. And I subsequently told her, I
9 think by 1991, I told her what my income was. It's
10 fallen off since I left the law firm.

11 Q. Since you left the law firm?

12 A. Yes. But it's still reasonably comfortable.

13 Q. Well, being reasonably comfortable, thank you
14 very much.

15 Let me, just for the record, say that I will
16 stipulate that the court reporter be relieved of her
17 duties under the Code; that the original deposition be
18 sent to counsel; that the deponent be allowed to sign
19 under penalty of perjury; and that you'll notify us,
20 Mr. Dailey, of any changes a month from now, 30 days
21 after receipt, 30 days from today's date, if that's
22 okay?

23 A. Depends on when I get it.

24 Q. The 10th of January.

25 And that notification should be in writing.